



April 7, 2020

Mr. Daniel Henkel, President
Police Fraternal Order, IND
Lodge 1
PO Box 17242
Philadelphia, PA 19105

Case Number: 140-6015380
LM Number: 503-948

Dear Mr. Henkel:

This office has recently completed an audit of Police Fraternal Order Lodge 1 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Civil Service Reform Act of 1978 (CSRA), 5 U.S.C. 7120, and the Department's regulations, 29 CFR 458. As discussed during the exit interview with you on January 31, 2020, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

Recordkeeping Violations

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 of the LMRDA and Title 29 of the Code of Federal Regulations (C.F.R.) Section 403.7 require, among other things, that labor organizations maintain adequate records for at least five years after reports are filed by which the information on the reports can be verified, explained and clarified. Pursuant to 29 C.F.R. Section 458.3, this recordkeeping provision of the LMRDA applies to labor organizations subject to the requirements of the Civil Service Reform Act of 1978 (CSRA) as well. Therefore, as a general rule, labor organization must retain all records used or received in the course of union business.

For disbursements, this includes not only original bills, invoices, receipts, vouchers, and applicable resolutions, but also documentation showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a union officer or employee should write a note on it providing the additional information. For money it receives, the labor organization must keep at least one record showing the date, amount, purpose, and source of that money. The labor organization must also retain bank records for all accounts.

The audit of Lodge 1's 2017 records revealed the following recordkeeping violations:

1. Failure to Record Receipts

Lodge 1 did not record in its receipts records employer dues checkoff checks and direct dues payments totaling at least \$16,375. For example, in January 2017 the union deposited \$4,375, but did not record the date, amount, and source of the money it received in a general ledger or similar book record. Union receipts records must include an adequate identification of all money the union receives. The records should show the date and amount received, and the source of the money.

2. Book Balances

Lodge 1 did not maintain book balances for their checking and savings accounts for the audit year. Unions should keep a record of its book balances as reconciled with the bank statements. The LM-3 instructions for Statement A (Assets and Liabilities) state that checking and/or savings account balances reported should be obtained from your organization's book balances as reconciled with the balances shown on bank statements. We discussed this during the exit interview and you agreed to maintain these records in the future.

Based on your assurance that Lodge 1 will retain adequate documentation in the future, OLMS will take no further enforcement action at this time regarding the above violations.

Reporting Violation

Pursuant to 29 C.F.R., Section 458.3, the reporting requirement under 29 C.F.R. Section 403.2 (see Section 201(b) of the Labor-Management Reporting and Disclosure Act (LMRDA)) is made applicable to labor organizations subject to the requirements of the CSRA. This provision requires labor organizations to file annual financial reports that accurately disclose their financial condition and operations. The audit disclosed a violation of this requirement.

Delinquent LM Report(s)

The audit disclosed that Lodge 1 did not file its LM-3 reports for fiscal years ending December 31, 2016, December 31, 2017, and December 31, 2018. The law requires unions to file a Labor Organization Annual Report (Form LM-3) within 90 days after the completion of the union's fiscal year.

To date, FOP Lodge 1 is current in filing the required reports.

Other Violation

Inadequate Bonding

Pursuant to 29 C.F.R. Section 458.35, officers and employees of any labor organization subject to the CSRA are required to be bonded in accordance with Section 502(a) of the LMRDA. This provision requires that union officers and employees be bonded for no less than 10% of the total funds those individuals or their predecessors handled during the preceding fiscal year.

The audit revealed that the amount of Lodge 1's bond is sufficient. However, the bond includes a deductible, which is a form of self-insurance that fails to meet the bonding requirements of the LMRDA. Lodge 1 should obtain a bond without a deductible. Please provide proof of bonding coverage without a deductible to this office as soon as possible, but not later than April 17, 2020.

I want to extend my personal appreciation to Police Fraternal Order Lodge 1 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,

[Redacted Signature]

[Redacted Title]

Investigator

cc: [Redacted Name], Treasurer